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UNCLAS SECTION 01 OF 06 ABUJA 000219

SENSITIVE

SIPDIS

DEPARTMENT PASS TO USTR-AGAMA
DEPARTMENT PASS TO USAID/AFR FOR ATWOOD
DOE FOR GPERSON, CHAYLOCK
LABOR FOR SHALEY
USDA/FAS/OTP FOR MCKENZIE

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [ELAB](#) [EPET](#) [EFIN](#) [EAGR](#) [KDEM](#) [NI](#)

SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR JANUARY 16-31, 2009

Ref: A. ABUJA 122

[1](#)B. LAGOS 2

[1](#)C. 08 ABUJA 2438

[1](#)D. 08 ABUJA 2372

[1](#)1. (U) The Following is a joint Embassy Abuja, ConGen Lagos compilation of January 16-31 political/economic highlights, which did not feature in our other reporting, covering:

- Economy
- Agriculture
- Environment
- Aviation
- Elections
- Labor
- Corruption
- Delta Incidents
- Oil, Gas, and Power
- Other Southern News

ECONOMY

[1](#)2. (U) NEMT SHUFFLE: The National Economic Management Team (NEMT) was inaugurated on Tuesday, February 2, without the Directors-General of the Debt Management Office and Bureau of Public Enterprises and Chairman of the Federal Inland Revenue Service (FIRS) included on the team, despite early press reports to the contrary. The media reported that these three agencies will still be part of the Technical Working Groups (TWGs) under the NEMT.

[1](#)3. (U) HOUSE OF REPRESENTATIVES PASSES 2009 BUDGET: On January 29, the House of Representatives passed the 2009 budget of 3.087 trillion naira (\$20.5 billion). The budget is higher than the 3.04 trillion naira (\$20.2 billion) the Senate passed in December 2008, and 2.91 trillion naira (\$19.3 billion) President Yar'Adua proposed. House and Senate committees will meet to harmonize their separate versions of the bill. The House retained the benchmark price of crude oil at \$45 with a daily production of 2.29 million barrels.

[1](#)4. (U) GROWING CONCERN OVER INTEREST RATES: On January 25, 2009 the media reported commercial and retail borrowers are facing hard times

as banks raise interest rates to cover shrinking business, the falling naira, higher deposit rates and increased number of loan defaults. The official lending rate is 17% but actual rates at banks are higher, up to 30%. Press reports state that banks are raising interest rates for all new and existing loans. Banking experts claim that the Central Bank of Nigeria (CBN) is reluctant to reduce interest rates for fear that might cause higher inflation. In December 2008 inflation was 15.1% compared to 6.6% in December 2007.

15. (U) NIGERIAN STOCK MARKET RATED THE WORST: The Nigerian Stock market was rated the worst performing market in the world for the month of January, according to a report published by a London research company, Business Monitor International (BMI). The report stated that the Nigeria's Gross Domestic Product (GDP) will drop from 6.3% in 2008 to 3.6% in 2009. BMI also said that the Nigerian stock market was the worst possible investment in 2009. Less oil money circulating through the economy, coupled with other financial crises, will have a large impact on businesses in Nigeria.

16. (U) PARTIAL COMMERCIALIZATION FOR MEDIA ORGANIZATIONS AND REFORMS FOR POSTAL SERVICES: The Bureau of Public Enterprises (BPE) announced on January 27 that four media organizations are listed for partial commercialization: the Nigerian Television Authority (NTA), the Federal Radio Corporation of Nigeria (FRCN), the News Agency of Nigeria (NAN) and the National Film Corporation (NFC). BPE also announced reforms to the Nigerian Postal Services (NIPOST) to keep costs down and improve efficiency. No specific dates were given, for accomplishing these reforms.

17. (SBU) SUDATEL AND INTERCELLULAR AGREE TERMS: EconSpec spoke with ABUJA 00000219 002 OF 006

Executive Director of Intercellular Nigeria Ltd on February 06, 2009 to confirm media reports regarding the agreement reached in principle by Sudanese company Sudatel Group for Telecommunication (Sudatel) to purchase a 70% stake in Nigerian public telephony operator (PTO) Intercellular. The Director confirmed that the holding is worth an estimated 68.75 billion naira (\$591.5 million). As part of the terms of the purchase, Intercellular shareholders receive \$10 million and Intercellular gets an immediate loan of \$10 million, and \$30 million for "other expenses". Under the deal, Sudatel is obliged to invest \$100 million a year into the expansion of Intercellular over the next five years. The Director underscored that operations have slowed down due to the inability of Sudatel to provide funds, owing to the current crisis in the financial market.

AGRICULTURE

18. (U) VISIT TO OBASANJO FARM: Lagos Consul General and Agriculture Attach visited the Obasanjo Farm at Ota, home to one of the largest poultry operations and piggeries in Nigeria. In addition to poultry and pigs, the farm has ducks, snails, grass cutters, rabbits, catfish ponds and a corrugated paper recycling plant to produce 30 count egg trays. For poultry, the farm at Ota produces broilers as well as day old chicks for other poultry producers. According to the operations manager, the demand for day old chicks has declined because of the high price of inputs like corn. The manager indicated an interest in sourcing U.S. corn and using USDA credit programs and is scheduled to visit FAS Lagos soon. The farm appeared to have diligent measures in place to prevent avian flu. Vehicles and people's shoes were disinfected when entering and leaving areas that contained animals.

19. (SBU) ANE TO SEND 15 NIGERIANS FOR SHEA BUTTER TRAINING: The Association of Nigerian Exporters (ANE) will send 15 Nigerians from the Shea butter production chain sector to a training program in Atlanta, Georgia, in the third quarter of 2009. Over the past year, DepEcon Chief has met several times with ANE to encourage their participation in the Trade and Investment Framework Agreement Council Meetings and to support their trade promotion agenda in trade policy discussions with the GON. Following the training there is the potential for increased exports of Nigerian Shea butter to the U.S.

¶10. (U) POOR UNDERSTANDING OF AGRICULTURAL POLICIES: On January 27, International Food Policy Research Institute (IFPRI) hosted a local university lecturer who presented findings of his research on Institutional Capacity for Designing and Implementing Agricultural Policies in Nigeria. His research found that universities, ministries and other stakeholders working on agricultural policies have a poor understanding on these policies, do not share information among different stakeholders, and do not understand how to implement agricultural policies.

¶11. (U) AGRICULTURAL LOAN FROM JAPAN TO NIGERIA: Press reported on January 30 that Nigeria and eleven other countries in Sub-Saharan Africa will share \$4.2 billion as part of a five-year loan from the Japanese government to boost rice production. The other countries included are Cameroon, Ghana, Guinea, Kenya, Madagascar, Mali, Mozambique, Senegal, Sierra Leone, Tanzania and Uganda.

¶12. (U) POSSIBLE REMOVAL OF EXCISE DUTY ON NON-ALCOHOLIC BEVERAGES: On January 30 during a meeting with the Association of Food, Beverages and Tobacco Employers, Minister of State for Finance Remi Babalola said the government is considering removal of the 5% excise duty on non-alcoholic beverages and instant noodles. Domestic manufacturers complain that the duty adds to their costs, increases prices on their goods and puts locally produced non-alcoholic beverages and noodles at a competitive disadvantage to imports.

¶13. (U) NIGERIA SPENDS \$3.5 BILLION ANNUALLY ON PROCESS EQUIPMENT AND MACHINERY IMPORTATION: Head of Raw Materials Research and Development Council (RMRDC) said to the press on February 3 that

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Nigeria spends over 538 billion naira (\$3.5 billion) annually on the importation of process equipment and machinery. RMRDC stated that Nigeria is dependent on machinery imports and over 90 per cent of process equipment used by the manufacturers in Nigeria is imported.

ENVIRONMENT

¶14. (SBU) U.S. TRAINS 64 NIGERIAN ENVIRONMENTAL OFFICERS ON OIL SPILL DETECTION AND RECOVERY METHODS: U.S. Science Fellow Michael Solecki, from the U.S. Environmental Protection Agency (EPA) is in Nigeria for 12 weeks providing technical assistance and training for several Nigerian organizations. Under the program, twenty-one Abuja-based environmental officers from the National Oil Spill Detention and Response Agency (NOSDRA) and the Pipeline Product Marketing Company (PPMC) have received three weeks of training on oil spill detection and clean-up and restoration of affected areas. Mike is conducting similar training for 43 NOSDRA environmental officers from the Delta region in Lagos from February 2 - 13. He is also helping the organization develop its own training manual for future in-house training. This training is a direct result of the GON's request for U.S. technical assistance in training NOSDRA's workforce and advances the Mission's objective of partnering with the GON and others in protecting the Nigerian environment and encouraging sustainable economic development.

¶15. (SBU) NOTED NIGERIAN ENVIRONMENTALIST DECRIES HIGH GREENHOUSE GAS EMISSIONS IN NIGERIA: In an interview he gave to the Financial Standard (Feb 2, 2009), Dr. Newton Jibunoh, Founder of the Fight Against Desert Encroachment (FADE) and Embassy IV alumnus, stated that Nigeria produces 25% of greenhouse emissions in Africa from gas flaring activities, negatively impacting the physical and social wellbeing of the people of the Delta. He lamented that although various Nigerian administrations have made pronouncements to end gas flaring little has been done to end it. Dr. Jibunoh attributed this to various administrations' desire to see quick results before the end of their terms, but environmental actions need extended time (10-20 years) to bear desired results.

AVIATION

¶16. (SBU) AVIATION PPP: The U.S. Mission expanded its Public Private Partnership (PPP) to include not only assisting the government of Nigeria to attain its FAA Category 1 certification, but to establish a U.S. university partnership to establish a scholarship program and

begin the accreditation for U.S. sponsored satellite college of aviation campus. As a first step toward establishing the aviation college link, EconOff and PDOff met with PPP partners Cita-Triax (Cita), Chairman of the Board of Committee of the International Aviation College of Kwara State Mr. Raxak Atunwa Esq., and Tom Davis, also of Cita, acting in his capacity as Advisory Board member of WMU Aviation College. Nigeria's Kwara State Aviation College and Cita pledged mutual support towards scholarship programs and technical/liaison support from WMU. Mr Atunwa was invited to visit the WMU campus.

ELECTIONS

¶17. (U) NIGERIANS ABROAD ALLOWED TO VOTE: On January 27, the Nigerian News Service reported that the Federal High Court in Abuja ruled in favor of diaspora leaders' law suit to allow Nigerians living abroad to vote. The group's lawyer cited the African Charter on Human and People's Rights in 1990, Electoral Act of 2006, and the Constitution of the Federal Republic of Nigeria of 1999, to argue its case. The Attorney General's Office and the Independent National Electoral Commission (INEC) both opposed the suit and argued that the Nigerian Embassies and High Commissions cannot be used for voting as they do not form part of the constituencies under which elections could be held in Nigeria. In his December 18, 2008 ruling, Justice Adamu Bello stated that "since Nigerians living abroad have convinced the court that they are entitled vote, and be voted for, it is the constitutional responsibility of INEC to put in

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place the relevant machinery to assist the plaintiffs to vote from abroad." He also stated that "the time is ripe for Nigeria to give its citizens living abroad the opportunity to register and vote from abroad in any election in Nigeria without having to travel for that purpose." The ruling specifically calls for INEC to set up registration centers and polling stations of the Federal Republic of Nigeria in all High Commissions and Embassies of the Federal Republic of Nigeria.

LABOR

¶18. (U) NIGERIAN LABOR CRISES: On January 27 the Nigeria Labor Congress Secretary General John Odah issued a press statement to protest the Petroleum Products Pricing Regulatory Agency's (PPPRA) proposal for import-driven deregulation of the downstream oil sector. Odah stated that Nigerians cannot afford to deregulate the downstream sector and solely depend on the importation of refined petroleum products at the expense of Nigeria's local refineries. Odah also criticized the reduction in the price of refined gasoline from N70.00 (\$0.48) to N65.00 (\$0.44), asserting that "the collapse of crude oil price from 147 dollar to 41 dollar would have made it possible for the reduction in the pump price domestically to be far more than N5.00." (NOTE: Despite the sharp increase in world oil prices in recent years, the domestic price for refined gasoline has been held fairly constant--increasing from only 65 (\$0.44) to 70 Naira (\$0.48) in 2007 and no increase in 2008--largely in response to demands by Labor.)

¶19. (U) Averting a potential nation-wide strike, the Minister of Labor met with the NLC on February 3 to discuss issues of casualization and contract staffing, insecurity in the Niger Delta, abuse of labor laws by entrepreneurs operating in the oil and gas sector, the expatriate quota abuse, the Nigerian government's introduction of full deregulation of petroleum products pricing, the recent reduction in the pump price of petrol, and the increase in the price of diesel. Meanwhile, the Petroleum Tanker Drivers (PTD) in Lagos went strike on January 29 to protest the seizure of four of their trucks by police.

CORRUPTION

¶20. (U) EFCC STILL GOING AFTER FORMER AVIATION MINISTER: On January 28, The Punch reported that an Abuja High Court may decide to allow the Economic and Financial Crimes Commission (EFCC) to file new evidence against former Aviation Minister, Babalola Borisade and others accused of complicity in an alleged N6.5bn (\$44.7 million) aviation scam. The EFCC had slammed an 11-count charge of

conspiracy, forgery, and fraud on the ex-minister. Other accused persons standing trial with Borishade include the Managing Director of Avsatel Communications, George Eider, the former Managing Director, of the Nigerian Airspace Management Agency, Roland Iyayi and a former Personal Assistant to Borishade, T.A Dairo.

¶21. (U) EFCC DECLARES EL-RUFAI WANTED: The former Federal Capital Territory (FCT) Minister, Mallam Nasir el-Rufai issued a statement in response to the Economic and Financial Crimes Commission's (EFCC) investigation of his alleged fraud of over N32 billion (\$220 million) related to abuse of office and misappropriation of public funds. El-Rufai issued the statement via his "media consultant" who stated that "the onslaught unleashed on Mallam Nasir el-Rufai by the executive and legislative branches of the current government is a classic case of persecution, and there is no need to be mealy-mouthed about it." The EFCC had recently declared el-Rufai "wanted" and according to the Nigerian Tribune, enlisted the cooperation of the Interpol to arrest him. The Nigerian Tribune also reported that that el-Rufai is in hiding in Boston, Massachusetts. Other reports have been circulated that el-Rufai was also hiding out in Dubai and London.

NIGER DELTA INCIDENTS; NO AMERICANS INVOLVED

¶22. (U) Local press reported that on January 21, the M/V "Meredith"

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was attacked off the coast of Nigeria by armed men who used explosives causing serious damage to the superstructure. One Romanian crewman was taken hostage, but later released.

¶23. (U) Local press and Shell executives reported that gunmen shot at the M/V "Front Chief", a very large crude carrier (VLCC) sized tanker berthed at Bonny Terminal on January 17. The gunmen attempted to board the tanker, but were unable to gain access. A tugboat and two service boats in the area were subsequently attacked; the crew from one service boat taken hostage and the tugboat captain killed. A spokesman who claimed to represent MEND said "affiliates" of the group carried out the attack.

¶24. (U) Local press reported that on January 23, gunmen in two speedboats attacked the M/V Ngoni while it was 12 nautical miles south of the Bonny river fairway buoy. The captain and two engineers were briefly kidnapped but later released. The Nigerian Navy later claimed in a public statement to have engaged armed men in three speedboats who attempted to hijack a vessel on January 23. It is unclear if this is related to the "Ngoni" incident.

¶25. (U) A Catholic priest was seized by gunman from in front of his Church in Port Harcourt on January 24 according to local press reports. Purported MEND spokesman Jomo Gbomo has issued a statement promising to find and release him.

¶26. (U) On January 27, a Lebanese citizen working for Nigercat Construction Company was kidnapped by gunmen while going to work near Warri, Delta State. According to press reports he was released later the same day; it is unknown if a ransom was paid.

¶27. (U) According to press reports and Shell executives, an eight year old Nigerian boy was kidnapped and his eleven year old sister shot dead while they were being driven to school in Port Harcourt, Rivers State, on January 29. No group has claimed responsibility. The father works for Shell Petroleum Development Company.

¶28. (U) To date in 2009, a total of nine expatriates (no Americans) have been taken hostage; four are still being held by their captors. In addition, nine Nigerians have been taken hostage; three are still being held. Two people, one of unknown nationality and one Nigerian, have been killed in incidents involving kidnapping/hijacking-attempts.

OIL, GAS, AND POWER

¶29. (SBU) The GON announced a reduction in the retail price of gasoline and a change in the way gasoline would be priced in the future. Responding to criticism that the price of gasoline has not

fallen despite recent the drop in oil prices, the GON reduced the price from 70 naira (\$0.48) per liter to 65 naira (\$0.44) per liter.

Additionally, 65 naira (\$0.44) is now a cap, with the price of gasoline free to fluctuate below that amount. Many gasoline marketers, small and large, failed to reduce their prices noting that they had imported their current stocks based on the old price and complaining that the GON still owes them money for the fuel they imported in 2008. The Department of Petroleum Resources responded by closing some non-complying gasoline stations. Trade union officials also criticized the price reduction, fearing it is a first step to full price deregulation. Mission officers reported long lines for gasoline at some stations in Abuja and Lagos. (Comment: Lowering the price of gasoline was easy. Raising it again, when oil prices eventually recover, will not be so easy; fully deregulating it will be even harder. However, a little perspective is in order. In relative terms, Nigeria's gasoline subsidy is not particularly outrageous. In fact, an International Energy Agency study reported that the average retail price of gasoline in the United States in November 2008 was less than the retail price of gasoline in Nigeria. End Comment.)

130. (U) On January 22, the JTF handed over six Ghanaians and one Nigerian to the EFCC for prosecution on charges of oil theft. The

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seven were arrested by the JTF in late December in Chanomi Creek, Delta State near Shell's Forcados export terminal. Their vessel, alternately called the M/T Atima and M/T Hope was loaded with 4000 metric tons (29,300 barrels) of crude oil.

131. (SBU) Ann Pickard, Shell's Executive Vice President for Africa, hosted the Consul General and Lagos officers for a dinner with Shell and industry executives on January 30. At the dinner a senior Shell executive expressed concern that supertanker owners may refuse to send their ships to Nigerian export terminals following the January 17 attack on M/V "Front Chief". According to the executive, supertankers are now taking anti-piracy precautions in Nigerian waters similar to measures they employ when sailing near Somali waters. In an aside, the executive also noted that local officials are demanding a bribe to move forward with the prosecution of a Nigerian accused of murdering a Shell adult dependent in her residence in December 2006. Shell refuses to pay, but is closely monitoring the status of the accused to ensure he remains in pre-trial confinement. The victim was a Dutch citizen, and the executive noted that the Dutch government would not assist in the prosecution because the GON could impose the death penalty if the accused is found guilty.

OTHER SOUTHERN NEWS

132. (U) On January 28, Lagos Pol-Econ Chief, opening a workshop on university-community interaction held by the Lagos State University Faculty of Social Sciences, addressed the group about town-gown exchanges in the United States. Participants described Nigerian universities as walled enclaves, on the outskirts of the cities where they are located, whose professors and students seldom venture out to interact with local citizens. When professors and students do venture into the communities, they conduct research but provide no reciprocal benefit, which has resulted in some resentment by communities. Workshop participants pointed out that, as the economy has changed, universities are finding it harder to provide the kinds of services to faculty and students that they once did, and are turning to the private sector to supply housing, food and transportation. Speakers suggested ways Nigerian universities can contribute more to their surrounding communities.

133. (U) On January 29, The Lagos Consul General spoke at the inauguration of the chapter of the American Studies Association of Nigeria (ASAN) at Covenant University (CU), one of Nigeria's leading private universities. The self-sufficient institution in Ota, Ogun State, is modeled on Oral Roberts University and has its own water processing and bottling plant, publication press, entrepreneurial development studies center, and other assets, allegedly built without assistance from non-Nigerians. An estimated 4,000 people turned out for the speech which wove together the personal stories of three American leaders: Barack Obama, Martin Luther King, Jr. and

Abraham Lincoln. (Comment: When compared to federal institutions of higher learning in Nigeria, which tend to appear run down and under funded, CU is quite impressive. End Comment.)

SANDERS